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OGC HAS REVIEWED.

Insurance Programs of the Government Employees Health Association, Inc.

1948 - 1970

Support Services

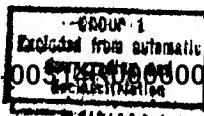
Office of Personnel



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22 March 1972

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Contents

I.	Insurance Programs - Pre CIA	1
II.	Government Employees Health Association, Inc	3
	A - The Genesis of GEHA, Inc	4
[Redacted]		25X1
	C - A Dispute Over Corporate Control - The Board vs. The Agency.	12
	D - The Dispute Resolved - One Head Wears Two Hats. .	24
III.	Progression of Insurance Programs.	25

Appendices

A.	Chronology of GEHA Officers and Directors.	43
B.	Chronology of Insurance Plans.	49

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Foreword

This history traces the development of insurance programs provided for Agency employees from the late 1940's, when no formal program or insurance office existed, to 1970 and a multi-million-dollar insurance business conducted under the corporate name of Government Employees Health Association, manned by [] staff employees.

A paper prepared by [] when he was closely associated with the Agency's insurance activities was the source material for much of this history and was invaluable as a first-hand account of many of the events reported herein.

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INSURANCE PROGRAMS OF THE GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

I. Insurance Programs - Pre CIA

Before World War II US Government departments and agencies sponsored no life or health insurance programs. In isolated cases employee groups incorporated themselves under such names as "The X Benefits and Relief Association" and secured the advantage of group life insurance. During the 1930's Group Hospitalization, Inc. (GHI)--sponsored by Blue Cross-Blue Shield--and Group Health Association (GHA) were two organizations operating in the Washington area offering a type of "group" health insurance. The GHI group was in reality a mass of smaller groups, each with a collector, or collectors, of premium payments. A Government agency, a public utility, or a department store could have its "group." Management tolerated these arrangements for their inherent good and overlooked the sometimes full-time preoccupation of its employee who served as premium collector in return for which he or she received free insurance coverage. In May 1943 a war-born "War Agencies Employees Protective Association" (WAEPA) was founded, and civilian staff members of the Office of Strategic Services (OSS) were able to participate in the purchase of term life insurance. WAEPA participation by these

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employees was managed by [redacted] employees were also 25X1A able to participate in the local group health plans, but the extent of actual participation is not known.

When OSS was abolished and the Central Intelligence Group (CIG) was created, the members of CIG had available to them the WAEPA life insurance and the two health plans--GHI and GHA. Through employee collectors GHI received premium payments from CIG employees who were known as such. All claims were adjudicated in the Washington, D.C. office of GHI regardless of where the expenses were incurred. GHA, on the other hand, accepted individual membership from residents of the District of Columbia and surrounding areas. No association with an identified employee group, federal or private, was necessary. Individual subscribers paid their premiums directly to GHA. The GHA plan was more than a hospitalization plan; it had a regularly salaried staff of doctors and nurses whose services were available at several clinics located in the D.C. metropolitan area. The services were limited to persons in the D.C. area, and were unavailable to persons outside that area.

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II. Government Employees Health Association, Inc.

The change from CIG to CIA on 18 September 1947 caused no change in the existing insurance plans or procedures. After the security implications in GHI methods of operations were assessed, however, the Office of the Executive for Administration and Management issued a memorandum dated 22 April 1948 which stated that no new applications would be made to GHI and that a more secure means of providing health insurance for overseas personnel would be devised. The reasons were obvious; in a completely unclassified area GHI was accumulating not only the names of many CIA employees and their families but also their specific cities of assignment throughout [redacted] 25X1 the world and the physical and mental health problems they were experiencing.

In the winter and spring of 1947 - 48 [redacted] of 25X1A the Office of Personnel was given the task of contacting insurance companies to determine if any of them would be willing to underwrite a plan of hospitalization for CIA employees without knowing their identities. Mutual of Omaha was the only company that would agree to meet with representatives of CIA to discuss the matter. The meeting was attended by the following:

C. W. Hepler, Mutual of Omaha
Joseph E. Jones, Mutual of Omaha
Sheffield Edwards, Office of Security

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[Redacted]

At this meeting it was determined that Mutual of Omaha would underwrite the plan in accordance with CIA's request that no names of employees be submitted to Mutual and also with the Company's assurance that all records pertaining to premium payments and audit of insurance claims would be carried out under the jurisdiction and within the confines of CIA. In order to qualify for the type of insurance offered by Mutual of Omaha, an organization had to meet a requirement, established by the District of Columbia Insurance Commissioner, that 75 percent of the members had to be insured. To reveal a number representing 75 percent of the strength of an organization would be to reveal the total size of the organization. In order to conceal the true size of CIA and still comply with the requirement, the organization known as the Government Employees Health Association (GEHA) was born. Through this device the Agency could acquire the advantages of low-cost group health and life insurance plans without revealing Agency strength.

The Genesis of GEHA, Inc.

On 29 June 1948 GEHA was accepted as a corporation under the laws of the District of Columbia. The first meeting of subscribers to GEHA was held on 15 July 1948, and the following were elected as the first directors:

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[Redacted]

On 27 July 1948 the Directors met with the newly appointed officers of the Corporation, and GEHA began its operations. The first GEHA officers were as follows:

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[Redacted]

The first plan of insurance offered by the Agency to its employees through the device of GEHA was the health plan previously mentioned, underwritten by the Mutual Benefit Health and Accident Association (MBHAA). [Redacted] as Secretary-Treasurer of GEHA, had the responsibility for record maintenance, and he and [Redacted] of the Finance Division, Office of the Comptroller, collected premiums, paid claims, and took care of other related matters of GEHA. The plan became effective on 1 August 1948 with the understanding that 100 percent of the Association's members had subscribed. The fact that the first month's premiums showed 20 members of the Association was a real shock to MBHAA--their rates had been set on the basis of about 500 members. MBHAA carried out its part of the bargain, however, and by 31 December 1949 the Association had 614 "active members." Those employees carrying

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GHI or GHA health plans were permitted to continue with that coverage.

By 31 December 1950 the MBHAA plan was well established, and it was clear that the underwriter was making a good profit from the group, which had then increased to more than 700. Then followed the first exploration of health plans that another company might be willing to offer to GEHA. After talking with several companies the conclusion was reached that the MBHAA plan was the best obtainable under the circumstances, fortified as it was by increased benefits which MBHAA offered and which were accepted. In addition to the MBHAA plan, other Agency employees were continuing their health coverage under GHI, but the security problem still remained with GHI's method of operation. Part of the problem was solved temporarily by developing

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was considerable debate on the feasibility and advisability of the Agency, through GEHA, embarking on a "self-insurance" plan--that is, cut out GHI and MBHAA and let employees pay a premium directly to GEHA and possibly incorporate a life insurance plan to cut out WAEPA.

In early 1954, when the Agency Career Service concept

25X1A was being studied, [] of the DDP, [] 25X1A
the Office of Personnel, [] of the Office of 25X1A
Personnel, and John.S. Warner of the Office of General Counsel
were appointed by the Career Service Board as an Insurance
25X1A Task Force with [] of the Office of Security, [] 25X1
25X1A [] of Staff C, and [] of Plans/FI as Security
25X1 Advisors to examine the following problem:

What employee and family indemnity and beneficial insurance coverage should the Agency arrange to have offered in order to remedy or alleviate any possible existing injustice, to alleviate personal and family concerns which dilute or distract from attention to mission, to demonstrate community of interest, and to promote the concept of career.

25X1 That Task Force and the [] actuaries and employee benefit consultants, produced a comprehensive report to the CIA Career Service Board, which approved the recommended courses of action on 30 June 1954. The action approved was two-fold:
(a) offer a new group term life insurance policy with a maximum of \$15,000 principal sum and a maximum \$15,000 for accidental death and dismemberment, and (b) offer a new com-

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prehensive health insurance plan which had been developed by the Task Force and the Mutual Health Benefit and Accident Association.

The United Benefit Life Insurance Company (UBLIC) was selected as the underwriter for the term life policy, which became effective on 1 August 1954. Staff employees, staff agents, and detailed civilian and military personnel were invited to participate. The MBHAA plan of health insurance was greatly improved over the then-existing plan and was likewise offered on 1 August 1954. In announcing these plans the

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b. It is the purpose of this Notice to describe the available life and health insurance plans to employees so that they will have adequate information on which to base their decisions concerning this important aspect of their welfare. In this connection, the Agency has developed these insurance programs in order to provide employees with better benefits and to avoid the following problems:

- (1) Commercial insurance companies have become somewhat cautious about selling insurance to Agency employees because of the possibility of hazardous duty. As a result, some companies will insure Agency employees only for limited amounts and usually under conditions which preclude the payment of benefits as the result of hazards sometimes found in overseas areas.
- (2) Because of security considerations, it is sometimes difficult to release sufficient information to insurance companies so that under their policies they can appropriately pay claims.

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The UBLIC Plan was well accepted, and the first year's experiences resulted in a refund of premium to GEHA of \$33,051.67. The disposition of this refund was one of the subjects of discussion at the Board of Directors meeting held on 31 May 1956 and evolved into a discussion of the much bigger question of GEHA's responsibility to groups of employees engaged in extremely hazardous duties. In contemplating whether to hold this refund as a contingency reserve or use it for the purchasing of increased benefits under the UBLIC plan, the Board

25X1A Members asked [redacted] GEHA President, what mortality rate GEHA might expect in the coming year. [redacted] indicated that past experience had been favorable but this could be altered by the insuring within the last few months of personnel in hazardous positions-[redacted]

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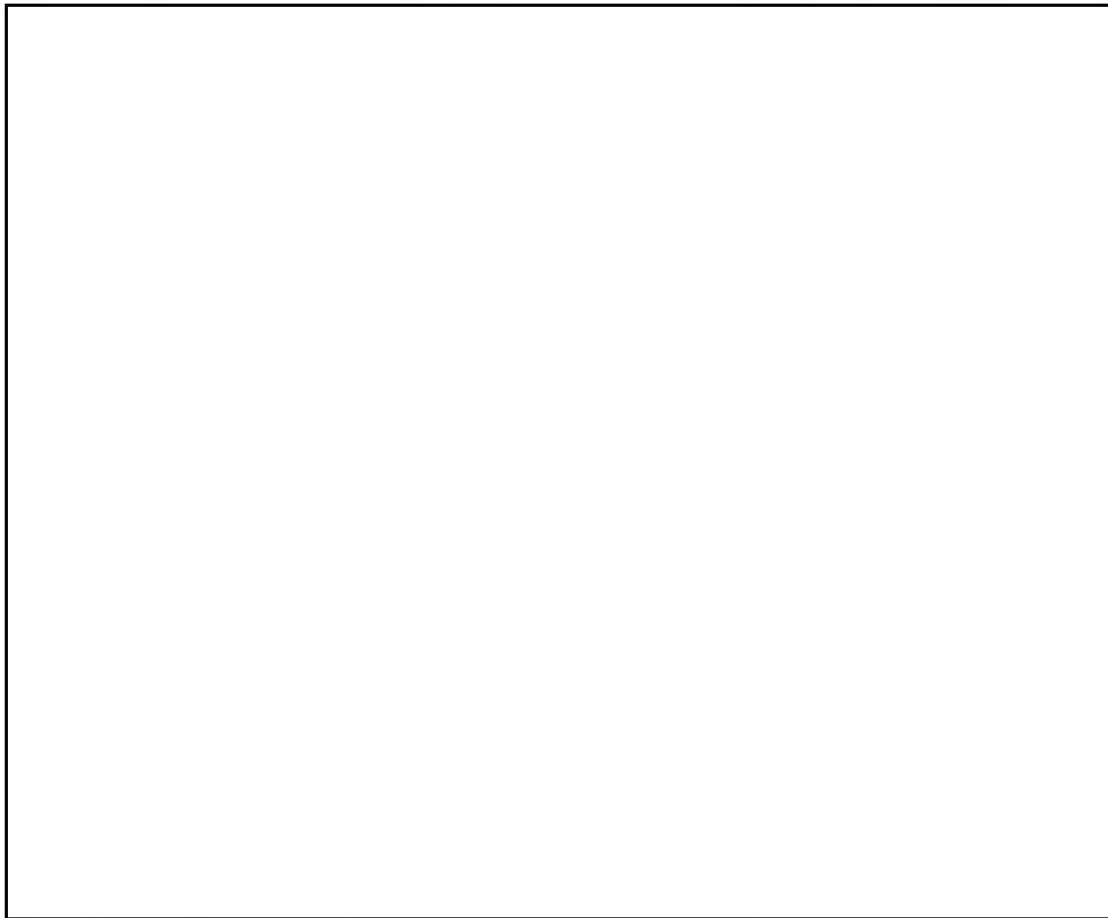
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A Dispute Over Corporate Control - The Board vs. The Agency

A Board of Directors of GEHA continued through the years to meet the technical and legal requirements of the corporate entity. The previously mentioned Insurance Task Force was chaired by the Chairman of this GEHA Board, [redacted] a man of strong convictions. As Chief Management Officer of the Agency he brought to bear a wealth of experience and viewed his role as Chairman of the Board in such a way that it was later to cause some differences of opinion on the role of the Board in relation to the role of the Director of Personnel.

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The first official indication of this situation appeared in a conclusion of the Board adopted at a meeting on 21 February 1955:

5. In respect to the question considered by the Board as to the proper sphere of the Board's interest, conclusion was made as follows:

a. The Board is responsible for the Agency insurance program policy or policies. The Board is not concerned with any aspect of administration in respect to these policies in view of the fact that the Director of Personnel continues to assume these responsibilities.

The Board recognizes that the insurance program is basically a part of the general Agency personnel administration as such, and hence policy decisions made by the Board within the insurance program field must be compatible with overall Agency personnel policy. Advice in this connection would be secured from the Director of Personnel as needful, but a resolution of any difference of opinion must go to the DCI or his authorized representative.

The official statement of the Director of Personnel's authorities and responsibilities was substantially the same then as it is now:

Provide additional services of common concern, including insurance programs for Agency personnel.

The By-laws of the Association, following accepted format, provided that:

The Board of Directors shall establish policy and be responsible for the proper administration and management of the affairs of the Association; and may adopt such rules and regulations for the conduct of its meetings and the management of the Association as it may deem proper, not inconsistent with law, these By-laws, or the operational and security requirements of the Central Intelligence Agency.

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(Article V, Section 7)

The minutes of a Board of Directors meeting held on
25 August 1955 contain the following item:

25X1A 7. A general discussion ensued wherein the duties of the President of GEHA were stated and the structure of the Board of Directors was reviewed. At this point, [redacted] stated that, in his opinion, the Officers of the Association should be persons within the Office of Personnel and preferably within the Insurance and Casualty Division in order that those individuals who were officially responsible for the administration of the insurance programs within the Office of Personnel would also be given administrative responsibility by the Government Employees Health Association for carrying out the policies of the Association as determined by the Board of Directors. He also indicated that, in his opinion, the Board of Directors of the Association should be increased in number in order to permit greater representation from the various components of the Agency. There appeared to be general acceptance of [redacted] feelings in this regard, however, no official action was taken by the Board of Directors in this connection.

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This excerpt is included in this history to show the conscious effort being made at the time to accommodate to a situation where there had developed a divided responsibility for the insurance program of the Agency.

The Board continued to make policy decisions affecting the responsibilities of the Director of Personnel without consultation with him. Typical was the action of the Board on 20 November 1956, reported in the minutes as follows:

That it be the policy of this Board that the insurance program under GEHA be limited solely for the benefit of Staff Employees and Staff Agents of this Agency, Except under extraordinary circumstances which cases must receive specific Board approval.

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That the Board advise the Contract Personnel Division not to write a mandatory insurance privilege into future contracts.

That the Board vote against this Emergency Travel Plan.

One "policy" decision led to another, and the Board, or a sub-committee of the Board, soon found itself engaging in day-to-day operations as evidenced by the minutes of the 18 December 1956 meeting:

5. On a motion made by Dr. Tietjen, the Board unanimously agreed to delegate its authority to approve or disapprove contract employee applications for insurance to the sub-committee which has been established to review these cases. However, in specific cases, it may refer cases back to the Board for final decision.

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6. In connection with the applications of certain [redacted] moved that the sub-committee review all cases of personnel to whom insurance has been issued who are not Staff Employees or Staff Agents and on whom the sub-committee has not specifically acted upon before, with a view to determining whether, within the policies of this Board, such persons are eligible for continued insurance; a report to this effect to be made to this Board.

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The Board of Directors took it upon itself to dispose of other questions such as an employee with no dependents, except one son, who objected to paying the family rate for health insurance.

The employee wrote to the Board--not to the Director of Personnel or his staff officer for insurance matters--and requested that he be permitted full coverage at twice the single rate.

The Board seems to have been aided and abetted in its unilateral undertakings by the President of GEHA, which office was

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held then and is held now by a senior member of the Office of Personnel. For example, the President of GEHA, [redacted] got the Board to "approve" his travel with the Vice-President,

25X1A [redacted] to Omaha to confer with the underwriter, and approval more properly the prerogative of the Director of Personnel. The President also seemed to seek Board direction for his responsibility, as a staff officer of the Director of Personnel, to provide insurance programs for Agency personnel.* When on 28 December 1956 a person representing himself as a "Staff Agent" but was actually a Contract Employee--a Career Agent, to be precise--applied for the Association health plan he was enrolled by the Insurance Branch. When the President was informed of the case he wrote to the Board a memorandum dated 4 January 1957. The Board directed the rejection of the application and the return of the premium. Then a Board member recalled that [redacted] dated 29 July 1954, was still in effect, and this Notice--Agency policy--clearly stated that Contract Employees were eligible to subscribe. The Board promptly moved, seconded, and unanimously approved:

That the Chairman, in his capacity as Chief, Management

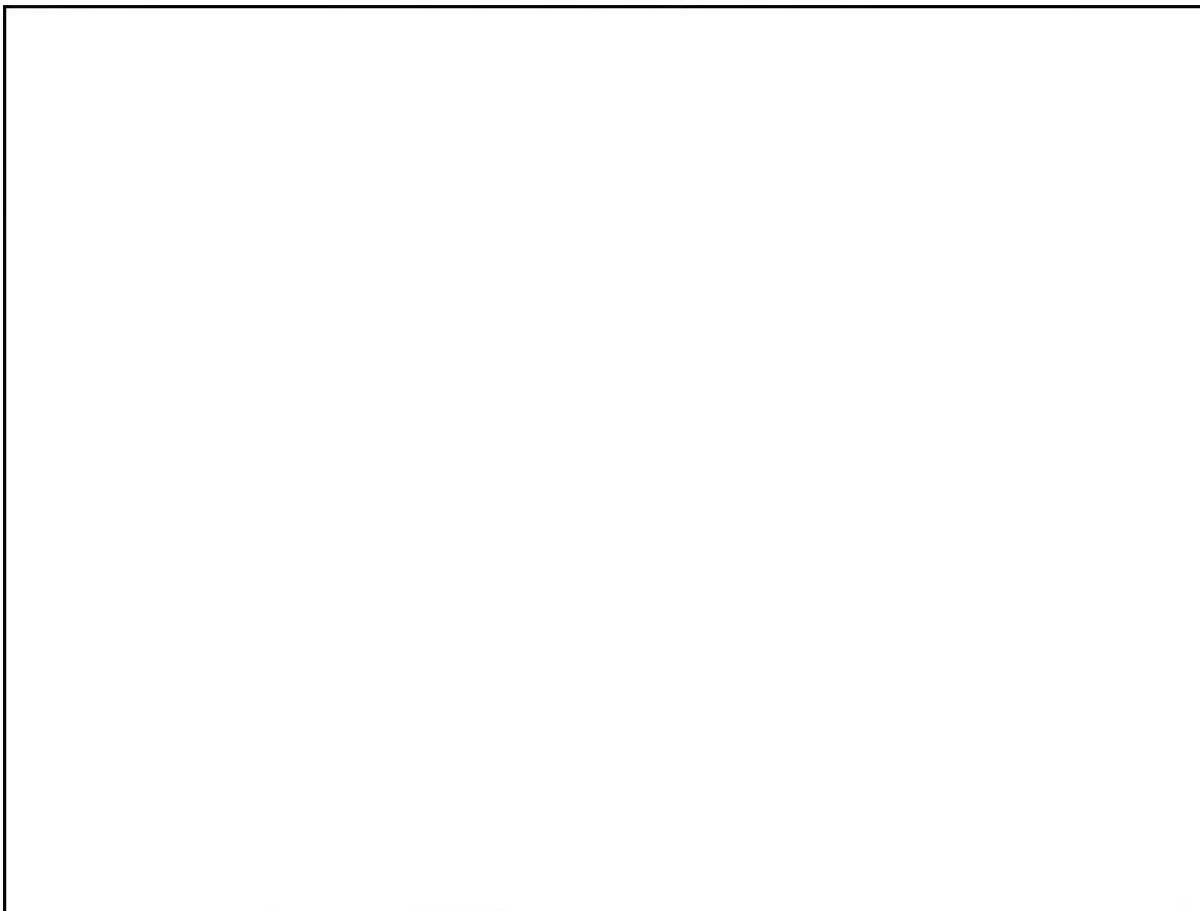
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Staff, take the necessary steps to rescind [redacted]

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1. This will confirm and make a matter of record the conversations which have taken place among Colonel White, Mr. Houston, [redacted] and Mr. Stewart.
2. It has been agreed that:
 - a. GEHA will continue to function in accordance with the present Certificate of Incorporation and By-laws;
 - b. Amendments to these documents will be subject to review and approval by the Director of Personnel;
 - c. The Chairman of the GEHA Board will inform the Director of Personnel of all contemplated actions of the Board

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and the Association, will report actions taken, will be guided by the Director of Personnel in all matters affecting the interests of the Agency, and will represent Agency positions as set forth by the Director of Personnel at Board and Association meetings:

d. Should the Board Chairman and the Director of Personnel be unable to reconcile their positions with regard to any matter, appeal may be made to the undersigned by one or the other or both.

At a meeting on 26 March 1957 the Board had some reservations about the "agreement" and wanted some changes made. One member remarked:

I would like to see a recognition of the fact that we are also operating under the corporate laws of the District of Columbia and we cannot surrender certain responsibilities to the Director of Personnel as a corporate organization.

Withdrawing his 18 March 1957 memorandum, the Deputy Director for Support went along with a new statement dated 13 May 1957, which he again addressed jointly to the Chairman of the Board and the Director of Personnel:

1. The Government Employees Health Association is a corporation established under the laws of the District of Columbia for the purpose of providing to eligible employees of the Central Intelligence Agency insurance programs which will meet the Agency's requirements for coverage and security.

2. The Board of Directors of GEHA under the present Certificate of Incorporation "shall establish policy and be responsible for the proper administration and management of the affairs of the Association; and may adopt such rules and regulations for the conduct of its meetings and the management of the Association as it may deem proper, not inconsistent with law, these By-laws, or the operational and security requirements

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of the Central Intelligence Agency." This provision affords the Board a dual responsibility. In fulfillment of this responsibility, the GEHA Board will ensure that all of the Association's policies and procedures are in the interest of the policyholders and are clearly consistent with Agency policy. To this end, the Board will look to the Director of Personnel for guidance as necessary on all matters of Association business which have policy implications for the Agency.

3. The Director of Personnel will through the Chairman keep the Board informed of Agency policy, programs or operations which have policy implications for the Association.

4. In order that the Director of Personnel may fulfill his functional responsibilities for the insurance programs for the Agency, the Board, through its Chairman and the Annual Association's Report, will keep the Director of Personnel informed of Association activities and requests for support.

5. No change will be made in the GEHA Certification of Incorporation or the By-laws without coordination with the Director of Personnel.

6. It is expected that in managing the Association, the Board will continue to study opportunities to extend GEHA insurance coverage. In addition, from time to time, the Director of Personnel may request the Board to make studies of other insurance programs for CIA employees.

The Deputy General Counsel was also concerned with the way things were going and commissioned a member of OGC to study the problem "with the objective of more precisely defining the substantive nature of GEHA and its function within and relation to the Central Intelligence Agency." A 14-page memorandum with 23 attachments dated 7 October 1957 resulted from a comprehensive study by [redacted] In commenting on the second DDS memorandum it was observed:

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The Board of Directors still can reject any application for membership and thus can control coverage. The Board does not acknowledge the Director of Personnel as the Agency's exponent of insurance policy. The Board does not use the Agency's legal staff in the conduct of its day-to-day corporate business, choosing rather to have a de facto house counsel. The Board views itself as the manager of a portion of Agency personnel policy, if not the formulator of it, and as such, issues instructions to Agency administrative officials. The Board has shown a tendency to think in competitive terms and otherwise manifest a commercial approach to the operations of GEHA.

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One of [redacted] more important contributions was the discovery that GEHA was incorporated under a provision of D.C. law that did not authorize it to contract for life insurance coverage for its members. This defect was legally remedied on 16 September 1958

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with the D.C. Superintendent of Corporations. But the real dispute was not then brought up for a re-hearing--that of the role that the Board of GEHA should play in relation to the Agency's insurance needs and whether or not a sound decision had been made in the hammer in which [redacted]

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[redacted] On 6 February 1958 [redacted] was elected Chairman of the Board, a post he was to hold until 30 August 1963.

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Beginning with this 1958 meeting the Secretary of the Association again began attending meetings of the Board, a practice that had been discontinued by the Chairman beginning with the 12 March 1957 meeting. Having served throughout the period

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of dispute as a Director of GEHA [redacted] was careful to see that the Director of Personnel was included in most discussions involving the Agency's insurance program. Under [redacted]

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Chairmanship, however, the Board seemed to continue to impinge at times on the responsibilities of the Director of Personnel.

For example--as reported in the minutes of a regular meeting of the Board on 25 February 1959-[redacted] decided to himself

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write Mutual of Omaha requesting a meeting with the Board to discuss a special health insurance contract for employees serving abroad. Again, as reported in the minutes of a Board meeting on 13 May 1959, it is recorded that "Finally the Board

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25X1A decided that [redacted] should visit the Home Office in Omaha, Nebraska, and obtain Mutual's proposed rates for the following two plans."

The Federal Employees Health Benefits Act of 1959, approved by the President on 28 September 1959, provided that the enrollment of employees and annuitants in health benefits plans and the withholding and payment of contributions would take effect on the first day of the first pay period beginning on or after 1 July 1960. This Act brought under official scrutiny the health benefits plans being offered to employees of the Federal Government. It authorized the Civil Service Commission to contract for or approve one service benefit plan, one indemnity benefit plan, comprehensive medical plans operating throughout the country--one of which was the Group Health Association, Inc. of the District of Columbia--and quite a few employee organization plans. GEHA qualified under the Act as an employee organization, and with its newly structured Association Benefit Plan, underwritten by Mutual of Omaha, it became a participant in the Federal Employees Health Benefits Program.

The GEHA Board participated actively in qualifying the Association Plan under the Act, and in a 14 October 1959 memorandum to the Board the Chairman stated:

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1. A meeting will be called shortly to discuss the Board's position concerning negotiations with the Civil Service Commission on the GEHA Program. There is attached an outline of factors to be considered in such negotiations. The position of the Board should be approved by the Agency.
2. The Board now has the opportunity of providing Agency employees with several plans for hospitalization and major medical coverage. The Board has discussed such plans in the past in considerable detail and each member should be conversant with the practical elements involved. The Board has discussed the interest of overseas employees in continuing their GEHA hospitalization and this factor will have a bearing on our proposed future plans. In this regard the Board members should consider that since the Government is now providing, through the new bill, opportunities to employees for extensive hospitalization and major medical coverage, the Government is not likely to extend the benefits it presently provides Federal employees under the overseas medical benefits program.

The Board had grown so accustomed to thinking of itself as having the primary responsibility for providing an insurance program for the Agency that it sometimes overlooked, consciously the fact that the Director of Personnel was the Agency officer charged officially with that task. As a further illustration, during the first 11 months of the first contract year for health insurance under the Federal Employees Health Benefits Act of 1959, Mutual of Omaha found that premiums were inadequate to cover expenses being incurred. The Civil Service Commission agreed that an increase in premium rates was necessary and warranted. But it was the Chairman of the GEHA Board who recommended DDCI ap-

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proval of the rate change, not the Director of Personnel. The Director of Personnel, the General Counsel, and the Deputy Director for Support concurred, but handling the matter in this fashion further emphasized the duality of responsibility

The Dispute Resolved - One Head Wears Two Hats

Eventually both parties realized that continuation of this conflict would lead to the defeat of the very purpose for which GEHA was created. The solution, though long in coming, was a simple one and involved no written agreements or proclamations.

It was first implemented in August 1963 when [redacted] resigned as Chairman of the Board because of having been named Director

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25X1A [redacted] the Deputy Director of Personnel,

25X1A was elected as [redacted] successor, both as Board Member and as Chairman. With the Office of Personnel now not only represented on the Board but having its Deputy Director as Board Chairman, the vying for responsibility and authority was

25X1A eliminated. When [redacted] was reassigned in October 1964, he resigned as Chairman of the GEHA Board. His successor as

Deputy Director of Personnel, [redacted] also succeeded

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him as Chairman of the Board, and the harmony of this new arrangement continued. Thereafter the GEHA Board has had an uninterrupted chain of Board Chairmen who have concurrently held the position of either Director or Deputy Director of Personnel.

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As previously stated, the Agency inherited from the OSS and the CIG two group health insurance plans, GHI and GHA, and one group life insurance plan, WAEPA. With the advent of GEHA, Inc., a new health insurance plan, MBHAA, was offered to Agency employees effective on 1 August 1948. By the end of 1952, approximately 1,500 Agency employees were enrolled in the GHI program, and the MBHAA had also grown to 1,500 participants even though GHI offered better coverage at less cost--for monthly premiums of \$1.30 for the employee only or \$3.00 for the family, GHI was providing full coverage of a semi-private room and hospital miscellaneous charges for 30 days, as opposed to the MBHAA plan's charge of \$1.60 and \$4.75 for \$6.00 per day room and board allowance for 31 days plus \$30.00 for hospital miscellaneous charges.

From a struggling but determined start the Agency's insurance program developed into a big business. Whereas the Confidential Funds Section of the Office of the Comptroller had carried the ball in the early years, "in addition to other duties," on 30 June 1953 responsibility for administration of the program was transferred to the Director of Personnel

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as a function of the newly designated Insurance and Claims Branch, with [redacted] named as its Chief.

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Through the initiative and guidance of GEHA, by August 1954 the Agency's insurance program vastly improved. Two new plans, UBLIC Life Insurance and Air Flight Insurance, had been added to those previously mentioned. The MBHAA plan was also written and now provided substantially broadened benefits. Although the monthly premium was increased to \$2.70 for the single plan and \$7.98 for the family plan, the coverage was increased as follows:

<u>Prior Coverage</u>	<u>Increased Coverage</u>
\$6.00 per day room and board allowance for 31 days	\$13.50 per day room and board allowance for 90 days for stateside employees
	\$9.00 per day room and board allowance for 90 days for overseas employees
\$30.00 for hospital miscellaneous benefits	\$202.50 plus 75% of the covered hospital miscellaneous benefits up to \$5,000 for stateside employees.
	\$135.00 covered hospital miscellaneous benefits for overseas employees.

By January 1955 the ever-expanding Agency's insurance program, available through the legal entity of GEHA, consisted of:

UBLIC Life Insurance
WAEPA Life Insurance
MBHAA Health Insurance
GHI Health Insurance

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Air Flight Insurance
Specified Dread Diseases Insurance
Income Replacement Insurance

In addition to these plans, the passage of the Federal Employees Group Life Insurance Act (FEGLI) of 1954 made it possible for all Agency employees to purchase low-cost term life insurance in amounts equal to their salary.

In May 1956 the Insurance and Claims Branch was redesignated the Insurance Branch, with [redacted]

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[redacted] as Deputy Chief. By this time the volume of the Agency's insurance business had increased from \$6,107 in June 1951 to \$180,012 in total liability and net worth, necessitating the opening of a full-time cashier's office.

Also in May 1956 Group Hospitalization, Inc. once again became the subject for discussion. At that time some 3,400 Agency employees still carried GHI health insurance. This seemed to present security problems, and in the opinion of GEHA Board members and officers, the benefits being offered by GHI were inferior to those available under the Association plan (MBHAA). In June 1956 the security advisor to the GEHA Board reported that an investigation of GHI had revealed that

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After an unsuccessful effort to have GHI agree to making all CIA employees Class B (covert), General Cabell, the Deputy Director of Central Intelligence, ordered that the GHI plan be discontinued; this action was effected on 31 December 1956. Conversions to the Association plan were made, without penalty to the employees.

Later on in 1956 another plan of insurance was added to those already available to Agency employees. This plan, called the "Travel-Matic," provided benefits of from \$25,000 to \$50,000 for accidental death occurring while in a passenger status on any common carrier.

The types of insurance coverage extended to Agency employees were again expanded in 1957. During that year the Insurance Branch offered another Flight Plan, which included coverage on military and government-owned passenger aircraft. Ten-Up Life and Ten-Up Health insurance plans were also put in effect for contract employees, who previously had been excluded from such coverage. In addition an Emergency Travel Plan was offered whereby an employee could insure against a major portion of the cost of transportation resulting from a return from overseas because of the death or critical illness of a relative.

The passage of the Federal Employees Health Benefit Act of 1959 was significant for a number of reasons. It directed

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the Civil Service Commission to contract for plans and exercise an overseeing roll to insure that participating plans provided benefits consistent with cost, it authorized government contribution toward partial payment of premium, and it offered a choice of plans, cover permitting. Processing of the initial applications under this program was a huge task that had to be completed in a short period of time. Members of the Insurance Branch responded with yeoman service and

25X9 processed more than [redacted]. When the new enrollments

25X9 were tallied, [redacted] employees enrolled in the Association

25X1 Benefit Plan, [redacted] chose the Service Benefit Plan (Blue Cross-
Blue Shield), [redacted] chose the Indemnity Benefit Plan (Aetna),

25X1 [redacted] chose the Group Health Plan of D.C., and [redacted] employees
elected not to enroll.

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In 1961 and 1962 several actions were taken which substantially improved the insurance coverage offered to contract employees. First, a new health insurance plan, similar to that available to staff employees, was introduced to replace the previous Ten-Up contract health insurance. For the new plan the Agency paid part of the premium. Contract employees were later declared eligible for WAEPA life insurance, for the GEHA travel insurances, and for the Specified Disease insurance. In 1962 an improved Contract Life Insurance plan replaced the old

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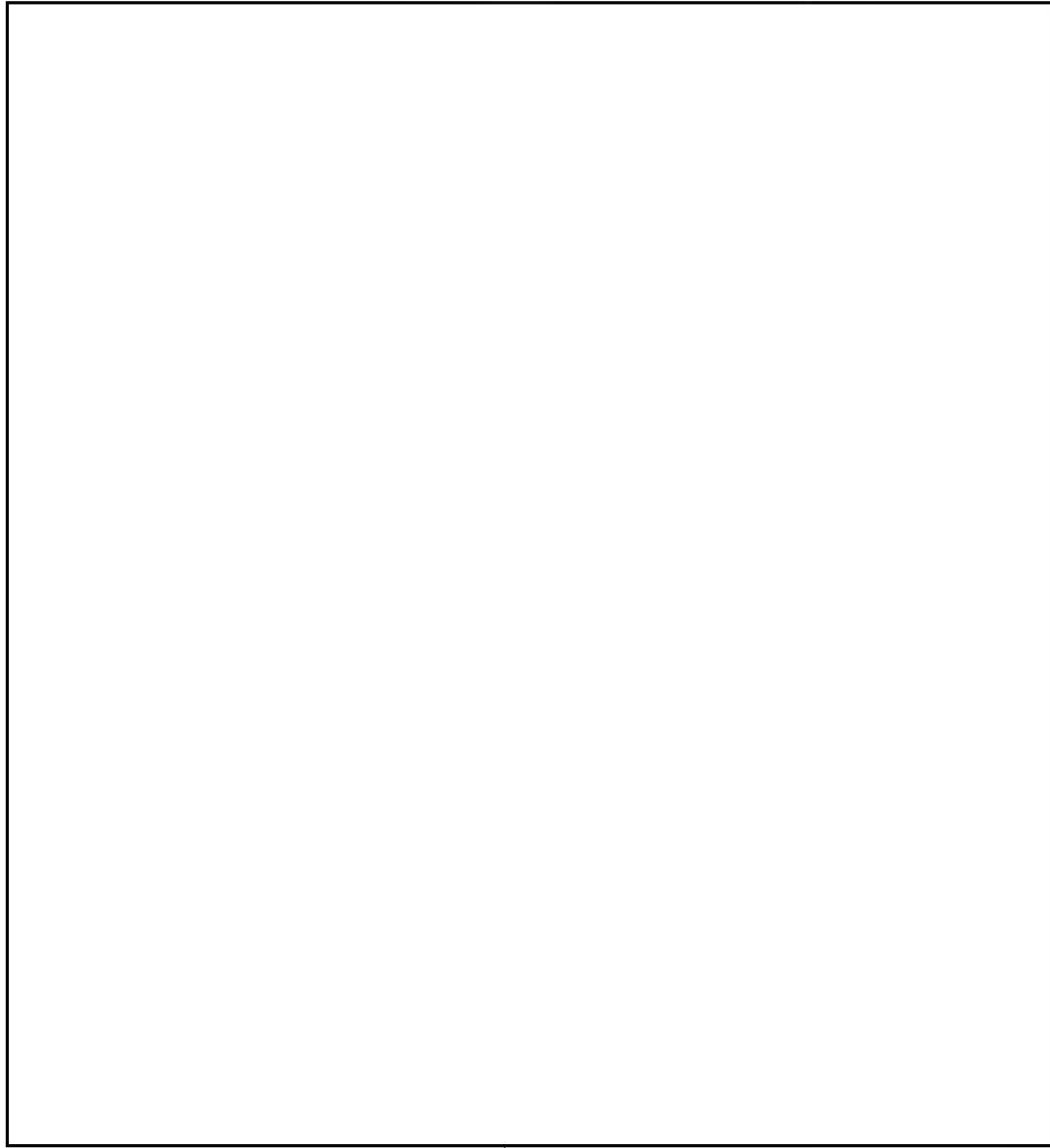
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Approved For Release 2003/03/10 : CIA-RDP81-00314R000600210006-2

Next 2 Page(s) In Document Exempt

Approved For Release 2003/03/10 : CIA-RDP81-00314R000600210006-2

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Two new areas of insurance coverage were opened to Agency employees in 1963. These were the Parents Associated Medical Assurance Plan (PAMA), which gave employees an opportunity to buy group health insurance for their parents, and a Dental Insurance Plan, which was made available to Agency employees.

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and their immediate family members. The PAMA Plan was well received and reached an enrollment of more than [] before being terminated by mutual agreement on 30 June 1966. Because Health Insurance for the Aged under Social Security--"Medicare"--became effective on the following day, there was no longer a need for the PAMA Plan. The Dental Insurance Plan (DENTA) was also well received by Agency employees, but it proved to be a financial failure for the underwriter. After one year's experience--from December 1963 to December 1964--the DENTA Plan had a loss of \$18,500. An open enrollment period was held in April and May 1965 in the hope that additional enrollments would help stabilize the plan. Contrary to expectation, claims experience became worse; and the underwriter, Mutual of Omaha, indicated its intention not to renew the contract when renewal was due on 2 December 1965. The company did, however, agree to the extending of coverage under the DENTA Plan until 1 January 1966. Final accounting of the entire experience of the Plan showed a net loss to Mutual of \$148,681.

Negotiations to improve the UBLIC Life Insurance Plan proved successful, and on 1 February 1964 the following changes were put into effect: (1) the maximum life insurance coverage available under UBLIC was increased from \$15,000 to \$30,000, (2) The premium rate was reduced to a straight 50¢ per month per \$1,000 insurance coverage, and (3) The \$1,000 life insurance coverage for

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each eligible dependent was provided at no extra premium charge to the insured employee. In conjunction with these changes, an open enrollment period was held from 1 February to 27 March 1964 during which an enrolled employee could double his coverage without a health statement. Employees recognized this as an excellent insurance buy, and response to the open enrollment period was heavy. More than [redacted] employees increased their coverage, and [redacted] new applications were received. Increased total coverage under the UBLIC Plan, however, required an increase in reserves. Consequently no distribution of UBLIC premium refund was made to employees in 1964 as it had been in previous years.

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In 1965 another addition was made to the plans offered under GEHA. This was the 24-Hour Flight and Accident Plan (FAP), instituted because of the particular need for such coverage by Agency personnel in [redacted] and in Vietnam.

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The basic plan provided for 24-hour-a-day coverage ranging from \$25,000 to \$150,000. Enrollment in the basic portion of the plan made the employee eligible for Supplemental War Coverage also. This provided the employee with coverage of either \$25,000 or \$50,000 against loss resulting from war or act of war. The plan was put into effect on more or less a crash basis, and it eventually succeeded the Travel-Matic Plan and the Flite Plan.

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By this time consideration had already been given to reimbursing the Agency for a part of the expense of operation of the Insurance Branch, and the salaries of two employees were being refunded from return of premiums on the PUBLIC and DENTAL Plans. In order to reimburse the Agency further the premiums for the Association Benefit Plan were increased by 1 percent for administrative expenses in November 1964, and from this source three additional salaries were reimbursed to the Agency in 1965. The administrative portion of the premium was increased to 2 percent on 1 January 1966, and by late 1967 the Insurance Branch was reimbursing the Agency for the salaries of 13 of its employees.

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Also in 1966 the UBLIC Life Insurance Plan was further improved. Effective on 1 June negotiations with the underwriter of the plan resulted in the adding of a terminal benefit to the plan. It specified that a retiring employee who had been UBLIC insured for ten consecutive years preceding his retirement could continue to retain up to \$5,000 of this coverage at a premium of 50¢ per thousand per month. When he became 60--or if already 60 at the time of retirement--coverage was premium free and was equal to one-sixth of the average amount of coverage he had in the ten-year period immediately preceding his retirement, not to exceed \$5,000. This coverage is further reduced to one-twelfth when he attains 70 and is free for the remainder of his life.

Since the beginning of the Federal Employees Health Benefits Program in July 1960, the Association Benefit Plan had

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always had two options of benefits--high option, which offered greater benefits, and low option for those desiring less coverage and lower premiums. Experience indicated that the vast majority of Agency employees preferred the high option of the plan. Most of those who were enrolled in the low option were usually overseas where they were also eligible for benefits under the overseas medical program of the Agency. Consequently the small number enrolled in the low option did not warrant the expenditure of time and administrative expense that were involved, and it was decided to drop the low option of the Association Benefit Plan. This action was taken on 1 January 1967.

The Civil Service Commission's 1967 change in regulations with respect to eligibility for enrollment of certain contract employees in the Federal Employees Health Benefits Program had a decided effect on the Contract Hospitalization Plan of insurance. In July 1967, when the Commission granted eligibility to certain contract employees who were previously excluded from the Health Benefits Program, approximately [redacted] contract employees were enrolled in the Agency-sponsored Contract Hospitalization Plan. As expected, a large majority of these contract employees changed to the Association Benefit Plan; their contracts were rewritten, and they thereby

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became eligible for the Federal Employees Health Benefits Program. As of 31 December 1970 the enrollment in the Contract Hospitalization Plan was 224.

On 1 January 1969 the Association Benefit Plan increased its benefits for hospital room and board expenses to full payment of charges for semi-private accommodation for the first 90 days of confinement. This was a departure from the previous practice of providing a "dollars-per-day" allowance for this expense. Previously the allowance had to be revised upward each year to meet the ever rising cost of hospital care. That approach to hospital expense coverage also necessitated annual revision and reissue of health insurance identification cards, which was no small task.

After discussions with representatives of the Central

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Approved For Release 2003/03/10 : CIA-RDP81-00314R000600210006-2

Approved For Release 2003/03/10 : CIA-RDP81-00314R000600210006-2

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The history of the Insurance Branch can be told in numbers as well as words. It has evolved from the efforts of two part-time employees to its present strength of [redacted] full-time employees, with the Agency being fully reimbursed from GEHA funds for sixteen of these employees. [redacted]

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[redacted]
Its functions have grown from acting as collection agent for

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external health insurance plans to the administration of three life insurance plans, two health insurance plans, three travel plans, a specified disease plan, an accidental death and dismemberment plan, and an income replacement plan. As of 31 December 1970, its life insurances and FAP coverages in force

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Approved For Release 2003/03/10 : CIA-RDP81-00314R000600210006-2

Next 5 Page(s) In Document Exempt

Approved For Release 2003/03/10 : CIA-RDP81-00314R000600210006-2

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CHRONOLOGY OF CIA INSURANCE PROGRAMS

PRE CIG/CIA - WAEPA Life Insurance and GHI and GHA Health Insurance Plans available

24 June 1948 - Government Employees Health Association, Inc. is formed.

August 1948 - GEHA offers its own health insurance underwritten by Mutual Benefit Health and Accident Association

March 1954 - Air Flight Insurance added

May 1954 - WAEPA adds extended coverage benefit for retirees

August 1954 - UBLIC Life Insurance Plan added

August 1954 - MBHAA increases benefits

August 1954 - Federal Employees Group Life Insurance Program is implemented

November 1954 - Specified Dread Diseases Insurance added

January 1955 - Income Replacement Insurance added

July 1955 - Air Flight Plan rewritten to include MATS.

May 1956 - "Travel-matic" plan added

December 1956 - GHI discontinued

December 1956 - Specified Dread Diseases Insurance increases coverage

March 1957 - Emergency Travel Plan added

April 1957 - Ten-Up Life Insurance Plan added

April 1957 - Ten-Up Health Insurance Plan added

May 1957 - Flite Plan added

February 1960 - Military Air Flight Insurance added

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July 1960 - Federal Employees Health Benefits Program implemented by U.S. Civil Service Commission. GEHA sponsored Association Benefit Plan participates. Blue Cross, Aetna, and other plans made available to overt employees through this Program.

August 1960 - Contract Health Plan added

March 1961 - Ten-Up Health Insurance cancelled

October 1961 - WAEPA adds dependent coverage

February 1962 - UBLIC reduces premiums and adds dependent coverage

May 1962 - Contract Life Insurance added

November 1962 - Ten-Up Life Insurance cancelled

June 1963 - PAMA health insurance added for parents of employees.

December 1963 - Dental Insurance Plan added

December 1963 - WAEPA adds supplemental coverage

February 1964 - UBLIC reduces premiums and adds free dependent coverage

May 1965 - FAP replaces "Travel-matic" and Flite Plan insurances

January 1966 - Dental Insurance Plan cancelled

June 1966 - PAMA cancelled

July 1966 - UBLIC adds retiree benefits

August 1966 - WAEPA increases dependent coverage

January 1967 - Association Benefit Plan drops low option coverage

February 1968 - Emergency Travel Plan cancelled

January 1969 - WAEPA increases supplemental benefits

May 1970 - UBLIC increases coverage by 20% without increase in premium.

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March 1971 - UBLIC increases retiree benefits and drops
waiver of premium

May 1971 - WAEPA increases dependent coverage

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